

Senate File 2201 - Introduced

SENATE FILE 2201

BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3090)

A BILL FOR

1 An Act relating to various matters under the purview of the
2 insurance division of the department of commerce including
3 the Iowa grain indemnity fund board, uniform securities
4 Act, examination of insurance companies, life insurance
5 companies and associations, utilization and cost control,
6 external review of health care coverage decisions, insurance
7 other than life, mortgage guaranty insurance, cemetery and
8 funeral merchandise and funeral services, and regulation of
9 cemeteries and making penalties applicable.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 22.7, Code Supplement 2009, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 65. Information obtained by the
4 commissioner of insurance in the course of an examination of a
5 cemetery as provided in section 523I.213A, subsection 7.

6 Sec. 2. Section 203D.4, subsection 1, Code 2009, is amended
7 to read as follows:

8 1. The Iowa grain indemnity fund board is established to
9 advise the department on matters relating to the fund and to
10 perform the duties provided it in this chapter. The board is
11 composed of the secretary of agriculture or a designee who
12 shall serve as president; ~~the commissioner of insurance or a~~
13 ~~designee who shall serve as secretary;~~ the state treasurer or
14 a designee who shall serve as treasurer; a representative of
15 the banking industry appointed by the governor, who shall be
16 selected from a list of three nominations made by the secretary
17 of agriculture; and four representatives of the grain industry
18 appointed by the governor, subject to confirmation by the
19 senate, two of whom shall be representatives of producers and
20 who shall be actively participating producers, and two of whom
21 shall be representatives of licensed grain dealers and licensed
22 warehouse operators and who shall be actively participating
23 licensed grain dealers and licensed warehouse operators, each
24 of whom shall be selected from a list of three nominations
25 made by the secretary of agriculture. The term of membership
26 of the banking industry representative and the grain industry
27 representatives is three years, and the representatives are
28 eligible for reappointment. However, of the grain industry
29 representatives, only actively participating producers,
30 and grain dealers and warehouse operators are eligible for
31 reappointment. The banking industry representative and
32 the grain industry representatives are entitled to a per
33 diem as specified in section 7E.6 for each day spent in the
34 performance of the duties of the board, plus actual expenses
35 incurred in the performance of those duties. Four members of

1 the board constitute a quorum, and the affirmative vote of four
2 members is necessary for any action taken by the board, except
3 that a lesser number may adjourn a meeting. A vacancy in the
4 membership of the board does not impair the rights of a quorum
5 to exercise all the rights and perform all the duties of the
6 board.

7 Sec. 3. Section 502.305, subsection 2, Code Supplement
8 2009, is amended to read as follows:

9 2. *Filing.* Except as provided in subsection 10 and section
10 502.304A, subsection 3, paragraph "g", a person who files a
11 registration statement or a notice filing shall pay a filing
12 fee of one-tenth of one percent of the proposed aggregate
13 sales price of the securities to be offered to persons in
14 this state pursuant to the registration statement or notice
15 filing. However, except as provided in subsection 10, section
16 502.302, subsection 1, paragraph "a", and section 502.304A,
17 subsection 3, paragraph "g", the annual filing fee shall not
18 be less than fifty dollars or more than one thousand dollars.
19 The administrator shall retain the filing fee even if the
20 notice filing is withdrawn or the registration is withdrawn,
21 denied, suspended, revoked, or abandoned. The fees collected
22 under this subsection shall be deposited as provided in section
23 505.7. The administrator may adopt rules requiring a filing
24 to be made electronically. The rules may provide for such
25 electronic filing either directly with the administrator or
26 with a designee of the administrator. The rules may require
27 that the filer pay any reasonable costs charged by the designee
28 of the administrator for processing the filings and that the
29 filer submit any fees paid through the designee.

30 Sec. 4. NEW SECTION. 508.33A **Limited purpose subsidiary**
31 **life insurance companies.**

32 1. As used in this section unless the context otherwise
33 requires:

34 a. "*Affiliated company*" means a domestic life insurance
35 company that is a directly or indirectly wholly owned

1 subsidiary of the same parent.

2 *b. "Parent"* means a person as defined in section 521A.1
3 who directly or indirectly through one or more intermediaries
4 wholly owns the organizing life insurance company.

5 *c. "Risks"* means risks associated with the life insurance
6 policies and contracts written by the ceding domestic life
7 insurance company or assumed by the ceding domestic life
8 insurance company from an affiliated company, which were
9 written by the affiliated company and for which the ceding
10 domestic life insurance company holds direct statutory reserves
11 for those policies and contracts as required by section 508.36.

12 2. *a.* A domestic life insurance company organized pursuant
13 to the provisions of this chapter may organize a domestic
14 limited purpose subsidiary life insurance company pursuant
15 to the provisions of this chapter that is wholly owned by
16 the organizing life insurance company. The limited purpose
17 subsidiary life insurance company may reinsure risks of the
18 organizing life insurance company, reinsure risks of affiliated
19 companies, and access alternative forms of financing.

20 *b.* A limited purpose subsidiary life insurance company
21 shall submit a plan of operation to the commissioner, and the
22 commissioner shall approve the plan of operation with such
23 amendments as the commissioner requires, before the limited
24 purpose subsidiary life insurance company assumes any risks
25 under a reinsurance contract. The plan of operation and any
26 records, books, documents, reports, or other information that
27 the commissioner requires a limited purpose subsidiary life
28 insurance company to produce or disclose pursuant to rules
29 adopted under subsection 6 or pursuant to an order of the
30 commissioner shall be treated the same as information obtained
31 by or disclosed to the commissioner pursuant to section 521A.6
32 and the commissioner shall have the powers enumerated in
33 section 521A.6 as to that insurer.

34 3. The organizing life insurance company may invest funds
35 from its surplus in a limited purpose subsidiary life insurance

1 company organized pursuant to this section.

2 4. The organizing life insurance company's officers and
3 directors may serve as officers and directors of a limited
4 purpose subsidiary life insurance company organized pursuant to
5 this section.

6 5. A limited purpose subsidiary life insurance company
7 organized pursuant to this section shall be deemed to be
8 licensed to transact the business of reinsurance for the
9 purposes of section 521B.2, subsection 1, but may only
10 reinsure risks of its organizing life insurance company and
11 of affiliated companies. A limited purpose subsidiary life
12 insurance company organized pursuant to this section may, upon
13 approval of the commissioner, purchase reinsurance to cede the
14 reinsurance risks assumed by the limited purpose subsidiary
15 life insurance company.

16 6. The commissioner shall adopt rules pursuant to chapter
17 17A concerning limited purpose subsidiary life insurance
18 companies, including but not limited to the organization, plans
19 of operation, capital requirements including risk-based capital
20 requirements, reserves, authorized investments, reinsurance
21 assumed, material transaction restrictions and requirements,
22 dividends and distributions, operations, and the conditions,
23 forms, and approval of financing of limited purpose subsidiary
24 life insurance companies organized pursuant to this section.

25 7. Admitted assets of a limited purpose subsidiary
26 life insurance company shall include assets approved by
27 the commissioner which shall be deemed to be, and reported
28 as, admitted assets of the limited purpose subsidiary life
29 insurance company.

30 8. The provisions of sections 508.5, 508.6, and 511.8,
31 section 521.2, subsection 4, sections 521A.4 and 521A.5, and
32 chapter 521E shall not be applicable to a limited purpose
33 subsidiary life insurance company organized pursuant to this
34 section.

35 9. A limited purpose subsidiary life insurance company

1 shall not be organized pursuant to this section prior to the
2 effective date of rules adopted by the commissioner regulating
3 the organization and operation of limited purpose subsidiary
4 life insurance companies as provided in subsection 6.

5 Sec. 5. Section 511.8, subsection 5, Code Supplement 2009,
6 is amended to read as follows:

7 5. *Corporate obligations.* Subject to the restrictions
8 contained in subsection 8 hereof, bonds or other evidences of
9 indebtedness issued, assumed, or guaranteed by a corporation
10 incorporated under the laws of the United States of America, or
11 of any state, district, or insular or territorial possession
12 thereof; or of the Dominion of Canada, or any province thereof;
13 and which meet the following qualifications:

14 a. (1) If fixed interest-bearing obligations, the net
15 earnings of the issuing, assuming, or guaranteeing corporation
16 available for its fixed charges for a period of five fiscal
17 years next preceding the date of acquisition of the obligations
18 by such insurance company shall have averaged per year not
19 less than one and one-half times such average annual fixed
20 charges of the issuing, assuming, or guaranteeing corporation
21 applicable to such period, and, during at least one of the last
22 two years of such period, its net earnings shall have been
23 not less than one and one-half times its fixed charges for
24 such year; or if, at the date of acquisition, the obligations
25 are adequately secured and have investment qualities and
26 characteristics wherein the speculative elements are not
27 predominant.

28 (2) However, with respect to fixed interest-bearing
29 obligations which are issued, assumed, or guaranteed by a
30 financial company, the net earnings by the financial company
31 available for its fixed charges for the period of five fiscal
32 years preceding the date of acquisition of the obligations by
33 the insurance company shall have averaged per year not less
34 than one and one-fourth times such average annual fixed charges
35 of the issuing, assuming, or guaranteeing financial company

1 applicable to such period, and, during at least one of the last
2 two years of the period, its net earnings shall have been not
3 less than one and one-fourth times its fixed charges for such
4 year; or if, at the date of acquisition, the obligations are
5 adequately secured and speculative elements are not predominant
6 in their investment qualities and characteristics. As used
7 in this ~~paragraph~~ subparagraph (2), "*financial company*" means
8 a corporation which on the average over its last five fiscal
9 years preceding the date of acquisition of its obligations
10 by the insurer, has had at least fifty percent of its net
11 income, including income derived from subsidiaries, derived
12 from the business of wholesale, retail, installment, mortgage,
13 commercial, industrial or consumer financing, or from banking
14 or factoring, or from similar or related lines of business.

15 **b.** If adjustment, income, or other contingent interest
16 obligations, the net earnings of the issuing, assuming, or
17 guaranteeing corporation available for its fixed charges
18 for a period of five fiscal years next preceding the date
19 of acquisition of the obligations by such insurance company
20 shall have averaged per year not less than one and one-half
21 times such average annual fixed charges of the issuing,
22 assuming, or guaranteeing corporation and its average annual
23 maximum contingent interest applicable to such period and,
24 during at least one of the last two years of such period, its
25 net earnings shall have been not less than one and one-half
26 times the sum of its fixed charges and maximum contingent
27 interest for such year, or if, at the date of acquisition,
28 the obligations are adequately secure and have investment
29 qualities and characteristics and speculative elements are not
30 predominant.

31 **c.** Are securities that at the date of acquisition are
32 rated three by the securities valuation office of the
33 national association of insurance commissioners or have the
34 equivalent rating by a rating organization that is approved
35 by the national association of insurance commissioners as an

1 acceptable rating organization and are listed or admitted to
 2 trading on a securities exchange in the United States or are
 3 publicly held and actively traded in the over-the-counter
 4 market and market quotations are readily available. If
 5 a security acquired under this paragraph is subsequently
 6 downgraded from a three rating by the securities valuation
 7 office of the national association of insurance commissioners
 8 or the equivalent by a national association of insurance
 9 commissioners' acceptable rating organization, the security no
 10 longer qualifies as a legal reserve investment.

11 d. The term "*net earnings available for fixed charges*" as
 12 used herein shall mean in this section means the net income
 13 after deducting all operating and maintenance expenses, taxes
 14 other than any income taxes, depreciation, and depletion, but
 15 nonrecurring items of income or expense may be excluded.

16 e. The term "*fixed charges*" as used ~~herein shall include in~~
 17 this section includes interest on unfunded debt and funded debt
 18 on a parity with or having a priority to the obligation under
 19 consideration.

20 f. The term "*corporation*" as used in this chapter includes
 21 a joint stock association, a limited liability company, a
 22 partnership, or a trust.

23 g. The securities, real estate, and mortgages described in
 24 this section include participations, which means instruments
 25 evidencing partial or undivided collective interests in such
 26 securities, real estate, and mortgages.

27 Sec. 6. Section 511.8, subsection 8, Code Supplement 2009,
 28 is amended by adding the following new paragraph:

29 NEW PARAGRAPH. d. In addition to the restrictions contained
 30 in paragraphs "*a*" and "*b*", the investments of any company
 31 or association in securities included under subsection 5,
 32 paragraph "*c*", are not eligible in excess of two percent of the
 33 legal reserve, but not more than one-eighth of one percent of
 34 the legal reserve shall be invested in the securities of any
 35 one corporation.

1 Sec. 7. Section 511.8, subsection 16, Code Supplement 2009,
2 is amended to read as follows:

3 16. *Deposit of securities.*

4 a. Securities in an amount not less than the legal reserve
5 as defined in this section shall be deposited and the deposit
6 maintained with the commissioner of insurance or at such places
7 as the commissioner may designate as will properly safeguard
8 them. There may be included in the deposit an amount of cash
9 on hand not in excess of five percent of the deposit required,
10 that deposit to be evidenced by a certified check, certificate
11 of deposit, or other evidence satisfactory to the commissioner
12 of insurance. Deposits of securities may be made in excess
13 of the amounts required by this section. A stock company
14 organized under the laws of this state shall not be required to
15 make a deposit until the legal reserve, as ascertained by the
16 commissioner, exceeds the amount deposited by it as capital.
17 Real estate may be made a part of the deposit by furnishing
18 evidence of ownership satisfactory to the commissioner and
19 by conveying the real estate to the commissioner or the
20 commissioner's successors in office by warranty deed. The
21 commissioner and the successors in office shall hold the real
22 estate in trust for the benefit of the policyholders of the
23 company or members of the association. Real estate mortgage
24 loans and policy loans may be made a part of the deposit by
25 filing a verified statement of the loans with the commissioner,
26 which statement is subject to check at the discretion of the
27 commissioner.

28 b. The securities comprising the deposit of a company
29 or association against which proceedings are pending under
30 section 508.18 shall vest in the state for the benefit of all
31 policyholders of the company or association.

32 c. Securities or title to real estate on deposit may be
33 withdrawn at any time and other eligible securities may be
34 substituted, provided the amount maintained on deposit is
35 equal to the sum of the legal reserve and twenty-five thousand

1 dollars. In the case of real estate the commissioner shall
2 execute and deliver to the company or association a quitclaim
3 deed to the real estate. Any company or association shall,
4 if requested by the commissioner, at the time of withdrawing
5 any securities on deposit, designate for what purpose the
6 ~~same securities~~ are being withdrawn.

7 d. Companies or associations having securities or title
8 to real estate on deposit with the commissioner of insurance
9 shall have the right to collect all dividends, interest, rent,
10 or other income from the deposit unless proceedings against
11 the company or association are pending under section 508.18,
12 in which event the commissioner shall collect such interest,
13 dividends, rent, or other income and add the same to the
14 deposit.

15 e. Any company or association receiving payments or partial
16 payments of principal on any securities deposited with the
17 commissioner of insurance shall notify the commissioner of such
18 fact at such times and in such manner as the commissioner may
19 prescribe, giving the amount and date of payment.

20 f. The commissioner of insurance may receive on deposit
21 securities or title to real estate of alien companies
22 authorized to do business in the state of Iowa, for the purpose
23 of securing its policyholders in the state of Iowa and the
24 United States. The provisions ~~hereof~~ of this subsection not
25 inconsistent with the deposit agreement shall apply to the
26 deposits of such alien companies.

27 g. Common stocks or shares issued by any federal home
28 loan bank eligible for inclusion in the legal reserve under
29 subsection 18, paragraph "c", may be made a part of a deposit
30 by filing a verified statement of the common stocks or shares
31 issued by a federal home loan bank that are held in the legal
32 reserve. Attached to the statement shall be the annual capital
33 stock statement of the respective federal home loan bank
34 showing membership stock balance and activity-based stock
35 balance.

1 Sec. 8. Section 511.8, subsection 23, paragraphs c and e,
2 Code Supplement 2009, are amended to read as follows:

3 c. If the loan is collateralized by cash or cash
4 equivalents, the cash or cash equivalent collateral may be
5 reinvested by the life insurance company or association in
6 ~~either~~ class one money market funds as defined in subsection
7 24, individual securities which are eligible for inclusion
8 in the legal reserve of the life insurance company or
9 association, or in repurchase agreements fully collateralized
10 by such securities if the life insurance company or association
11 takes delivery of the collateral either directly or through an
12 authorized custodian or pooled fund comprised of individual
13 securities which are eligible for inclusion in the legal
14 reserve of the life insurance company or association. If such
15 reinvestment is made in individual securities or in repurchase
16 agreements, the individual securities or the securities which
17 collateralize the repurchase agreements shall mature in less
18 than two hundred seventy days. If such reinvestment is made
19 in a pooled fund, the average maturity of the securities
20 comprising such pooled fund must be ~~less than two hundred~~
21 ~~seventy~~ one hundred eighty days or less and the individual
22 maturities of the securities comprising such pooled fund
23 must be three hundred ninety-seven days or less. Individual
24 securities and securities comprising the pooled fund shall be
25 investment grade. As used in this paragraph, "maturity" means
26 the earlier of the fixed date on which the holder of the
27 security is unconditionally entitled to receive principal
28 and interest in full or the date on which the holder of the
29 security is unconditionally entitled upon demand to receive
30 principal and interest in full.

31 e. Securities loaned pursuant to this subsection
32 are not eligible for inclusion in the legal reserve of
33 the life insurance company or association in excess of
34 ~~twenty~~ ten percent of the legal reserve.

35 Sec. 9. Section 511.8, subsection 23, Code Supplement 2009,

1 is amended by adding the following new paragraph:

2 NEW PARAGRAPH. *f.* A life insurance company or association
3 may continue to hold in the legal reserve of the life insurance
4 company or association securities which are the subject of a
5 reverse repurchase agreement. If such securities are held in
6 the legal reserve of a life insurance company or association,
7 the securities shall be subject to the limitations of paragraph
8 "e" as if they were securities loaned pursuant to this
9 subsection.

10 Sec. 10. Section 514F.6, Code 2009, is amended to read as
11 follows:

12 **514F.6 Credentialing — retrospective payment.**

13 1. The commissioner shall adopt rules to provide for
14 the retrospective payment of clean claims for covered
15 services provided by a physician, advanced registered nurse
16 practitioner, or physician assistant during the credentialing
17 period, once the physician, advanced registered nurse
18 practitioner, or physician assistant is credentialed.

19 2. For purposes of this section, "*physician*" means a
20 licensed doctor of medicine and surgery or a licensed doctor of
21 osteopathic medicine and surgery; "*advanced registered nurse*
22 *practitioner*" means a licensed nurse who is also registered
23 to practice in an advanced role, "*physician assistant*" means
24 a person who is licensed to practice as a physician assistant
25 under the supervision of one or more physicians; and
26 "*credentialing period*" means the time period between the health
27 insurer's receipt of a physician's, advanced registered nurse
28 practitioner's, or physician assistant's application for
29 credentialing and approval of that application by the health
30 insurer. "*Credentialing*" means a process through which a health
31 insurer makes a determination based on criteria established by
32 the health insurer concerning whether a physician, advanced
33 registered nurse practitioner, or physician assistant is
34 eligible to provide health care services to an insured and to
35 receive reimbursement for the health care services provided

1 under an agreement entered into between the physician, advanced
2 registered nurse practitioner, or physician assistant and the
3 health insurer. "*Clean claim*" means the same as defined in
4 section 507B.4A, subsection 2, paragraph "b".

5 Sec. 11. Section 514J.7, subsection 2, Code 2009, is amended
6 to read as follows:

7 2. The independent review entity, within three business
8 days of receipt of the notice, shall select a person to perform
9 the external review and shall provide notice to the enrollee
10 and the carrier containing a brief description of the person
11 including the reasons the person selected is an expert in
12 the treatment of the medical condition under review. The
13 independent review entity ~~does not need to~~ shall, upon request
14 from the enrollee or the enrollee's treating health care
15 provider, disclose the name of the person. A copy of the
16 notice shall be sent by facsimile to the commissioner. If the
17 independent review entity does not have a person who is an
18 expert in the treatment of the medical condition under review
19 and certified by the commissioner to conduct an independent
20 review, the independent review entity may either decline the
21 review request or may request from the commissioner additional
22 time to have such an expert certified. The independent review
23 entity shall notify the commissioner by facsimile of its choice
24 between these options within three business days of receipt of
25 the notice from the carrier or organized delivery system. The
26 commissioner shall provide a notice to the enrollee and carrier
27 or organized delivery system of the independent review entity's
28 decision and of the commissioner's decision as to how to
29 proceed with the external review process within three business
30 days of receipt of the independent review entity's decision.

31 Sec. 12. Section 515.125, subsection 1, Code 2009, is
32 amended to read as follows:

33 1. Unless otherwise provided in section 515.127, ~~or~~
34 515.128, 515.129A, 515.129B, or 515.129C, a policy or contract
35 of insurance provided for in this chapter shall not be

1 forfeited, suspended, or canceled except by notice to the
 2 insured as provided in this chapter. A notice of cancellation
 3 is not effective unless mailed or delivered by the insurer to
 4 the named insured at least thirty days before the effective
 5 date of cancellation, or, where cancellation is for nonpayment
 6 of a premium, assessment, or installment provided for in the
 7 policy, or in a note or contract for the payment thereof, at
 8 least ten days prior to the date of cancellation. The notice
 9 may be made in person, or by sending by mail a letter addressed
 10 to the insured at the insured's address as given in or upon
 11 the policy, anything in the policy, application, or a separate
 12 agreement to the contrary notwithstanding.

13 Sec. 13. NEW SECTION. 515.129A Cancellation of personal
 14 lines policies or contracts.

15 1. A personal lines policy or contract of insurance which
 16 has been in effect for more than sixty days shall not be
 17 canceled except by notice to the insured as provided in this
 18 chapter.

19 2. Notice of cancellation of a personal lines policy or
 20 contract of insurance is not effective unless the cancellation
 21 is based on one or more of the following reasons:

22 a. Nonpayment of premium.

23 b. Failure to pay dues or fees where payment of dues or fees
 24 is a prerequisite to obtaining or continuing insurance coverage
 25 in force.

26 c. Discovery of fraud or material misrepresentation made
 27 by or with the knowledge of the named insured in obtaining,
 28 continuing, or presenting a claim under the policy.

29 d. Actions by the insured which substantially change or
 30 increase the risk insured.

31 e. The insured has acted in a manner which the insured knew
 32 or should have known was in violation or breach of a term or
 33 condition of the insurance policy or contract.

34 f. The occurrence of a change in the risk that substantially
 35 increases a hazard insured against after insurance coverage has

1 been issued or renewed.

2 Sec. 14. NEW SECTION. **515.129B Nonrenewal of personal lines**
3 **policies or contracts.**

4 1. An insurer shall not refuse to renew a personal lines
5 policy or contract of insurance unless at least thirty days
6 before the end of the policy or contract period the insurer
7 delivers, mails, or electronically transmits to the first named
8 insured, at the last known address of the first named insured,
9 written notice of the insurer's intention not to renew the
10 policy or contract upon expiration of the current policy or
11 contract period as provided in section 515.129C. Proof of such
12 mailing, electronic transmission, or delivery to the first
13 named insured's last known address shall be maintained by the
14 insurer.

15 2. The notice of intention not to renew shall include or be
16 accompanied by a written explanation of the insurer's specific
17 reason or reasons for the nonrenewal.

18 3. The transfer of a policy between affiliates of an
19 insurance company shall not be considered a nonrenewal.

20 Sec. 15. NEW SECTION. **515.129C Notice of renewal or**
21 **nonrenewal of personal lines policies of contracts.**

22 1. At least thirty days before the end of the policy or
23 contract term, an insurer shall mail or deliver to the last
24 known address of the first named insured a renewal policy or
25 contract, an offer to renew the current policy or contract, or
26 a notice of nonrenewal of the policy or contract. Information
27 concerning the renewal policy or contract, the offer to
28 renew the policy or contract, or the notice of nonrenewal of
29 the policy or contract shall also be mailed, delivered, or
30 transmitted electronically to the last known address of the
31 producer of record of the policy or contract. Proof of such
32 mailing or delivery to the first named insured's last known
33 address shall be maintained by the insurer.

34 a. An offer to renew the policy or contract shall state
35 the renewal premium and the date that the premium is due. The

1 renewal premium shall be based on the known exposure as of the
2 date of the offer to renew.

3 **b.** If the renewal premium is not received by the due date
4 or the policy or contract expiration date, whichever is later,
5 the policy or contract lapses.

6 **2.** If an insurer fails to comply with the notice
7 requirements of this section, the policy or contract shall be
8 extended on the same terms and conditions for another policy or
9 contract term or until the effective date of similar insurance
10 procured by the insured, whichever is earlier. The insurer may
11 make continued coverage contingent upon the payment of premium.

12 **3.** Renewal of a policy or contract does not constitute a
13 waiver or estoppel with respect to grounds for cancellation
14 that existed before the effective date of the renewal.

15 **Sec. 16.** Section 515C.5, Code 2009, is amended to read as
16 follows:

17 **515C.5 Limit of outstanding liability.**

18 **1.** A Unless a request to suspend the requirements of
19 this section is granted by the commissioner as set forth in
20 subsection 2, a mortgage guaranty insurer shall not at any time
21 have outstanding a total liability, net of reinsurance, in
22 excess of twenty-five times its capital, unassigned funds and
23 contingency reserve. ~~It~~ A mortgage guaranty insurer shall not
24 insure loans secured by properties in a single housing tract or
25 in a contiguous tract ~~(not~~ which is not separated by more than
26 one-half mile) mile in excess of ten percent of its capital,
27 unassigned funds, and contingency reserve. Coverage may be
28 provided only if the properties in such tract are residential
29 buildings, buildings designed for occupancy by not more than
30 four families, or owner-occupied mobile homes.

31 **2.** Upon request of a mortgage guaranty insurer, the
32 commissioner may suspend the requirements contained in
33 subsection 1 for such time and under such conditions as the
34 commissioner may order. The commissioner may adopt rules as
35 necessary relating to the consideration of such requests for

1 suspension of those requirements.

2 Sec. 17. Section 523A.204, subsection 4, Code Supplement
3 2009, is amended to read as follows:

4 4. The commissioner shall levy an administrative penalty
5 in the amount of up to five hundred dollars against a preneed
6 seller that fails to file the annual report when due, payable
7 to the state for deposit as provided in section 505.7.

8 However, the commissioner may waive the administrative penalty
9 upon a showing of good cause or financial hardship.

10 Sec. 18. Section 523A.207, Code 2009, is amended to read as
11 follows:

12 **523A.207 Audits by certified public accountants.**

13 1. A purchase agreement shall not be sold or transferred,
14 as part of the sale of a business or the assets of a business,
15 until an audit has been performed by a certified public
16 accountant and filed with the commissioner that expresses the
17 auditor's opinion of the adequacy of funding related to the
18 purchase agreements to be sold or transferred.

19 2. If the person selling or transferring a purchase
20 agreement fails to comply with the requirements of subsection
21 1, the obligation to file an audit report shall be shared by
22 the person selling or transferring a purchase agreement and
23 the preneed seller who assumes the obligations of the purchase
24 agreement. In addition, both the preneed seller and the person
25 selling or transferring the purchase agreement shall remain
26 jointly and severally liable to perform the terms of the
27 purchase agreement until the audit report is received by the
28 commissioner.

29 Sec. 19. Section 523A.401, Code 2009, is amended by adding
30 the following new subsection:

31 NEW SUBSECTION. 9. The commissioner, by rule, may require
32 written trust agreements and establish conditions for trusts
33 holding insurance policies or maintaining ownership rights
34 under insurance policies. The seller or any officer, director,
35 agent, employee, or affiliate of the seller shall not serve as

1 a trustee. The commissioner may require amendments to a trust
2 agreement that is not in accord with the provisions of this
3 chapter or rules adopted under this chapter.

4 Sec. 20. Section 523A.402, Code 2009, is amended by adding
5 the following new subsection:

6 NEW SUBSECTION. 9. The commissioner, by rule, may require
7 written trust agreements and establish conditions for trusts
8 holding annuities or maintaining ownership rights under
9 annuities. The seller or any officer, director, agent,
10 employee, or affiliate of the seller shall not serve as a
11 trustee. The commissioner may require amendments to a trust
12 agreement that is not in accord with the provisions of this
13 chapter or rules adopted under this chapter.

14 Sec. 21. Section 523A.502A, subsection 3, Code Supplement
15 2009, is amended to read as follows:

16 3. The commissioner shall levy an administrative penalty
17 in the amount of up to five hundred dollars against a sales
18 agent who fails to file an annual report when due, payable to
19 the state for deposit as provided in section 505.7. However,
20 the commissioner may waive the administrative penalty upon a
21 showing of good cause or financial hardship.

22 Sec. 22. Section 523A.601, subsection 1, paragraph i, Code
23 2009, is amended to read as follows:

24 *i.* Include an explanation of regulatory oversight by
25 the insurance division in twelve point boldface type, in
26 substantially the following language:

27 **THIS AGREEMENT IS SUBJECT TO RULES ADMINISTERED BY THE IOWA**
28 **INSURANCE DIVISION. YOU MAY CALL THE INSURANCE DIVISION AT**
29 **~~(515)281-4441~~ (515)281-5705. WRITTEN INQUIRIES OR COMPLAINTS**
30 **SHOULD BE MAILED TO THE IOWA SECURITIES AND REGULATED INDUSTRIES**
31 **BUREAU, 330 MAPLE STREET, DES MOINES, IOWA 50319.**

32 Sec. 23. Section 523A.807, subsection 3, unnumbered
33 paragraph 1, Code Supplement 2009, is amended to read as
34 follows:

35 If the commissioner finds that a person has violated section

1 523A.201, 523A.202, 523A.203, 523A.207, 523A.401, 523A.402,
2 523A.403, 523A.404, 523A.405, 523A.501, or 523A.502, or
3 523A.504 or any rule adopted pursuant thereto, the commissioner
4 may order any or all of the following:

5 Sec. 24. Section 523I.213A, Code 2009, is amended by adding
6 the following new subsection:

7 NEW SUBSECTION. 7. Notwithstanding chapter 22, the
8 commissioner shall not make information obtained in the course
9 of an examination public, except when a duty under this chapter
10 requires the commissioner to take action against a cemetery
11 or to cooperate with another law enforcement agency, or when
12 the commissioner is called as a witness in a civil or criminal
13 proceeding.

14 Sec. 25. Section 523I.312, subsection 2, paragraph n, Code
15 2009, is amended to read as follows:

16 *n.* Include an explanation of regulatory oversight by
17 the insurance division in twelve point boldface type, in
18 substantially the following language:

19 THIS AGREEMENT IS SUBJECT TO RULES ADMINISTERED BY THE IOWA
20 INSURANCE DIVISION. YOU MAY CALL THE INSURANCE DIVISION WITH
21 INQUIRIES OR COMPLAINTS AT ~~(515)281-4441~~ (515)281-5705. WRITTEN
22 INQUIRIES OR COMPLAINTS SHOULD BE MAILED TO: IOWA SECURITIES AND
23 REGULATED INDUSTRIES BUREAU, 330 MAPLE STREET, DES MOINES, IOWA
24 50319.

25 Sec. 26. Section 523I.813, subsection 3, Code Supplement
26 2009, is amended to read as follows:

3. The commissioner shall levy an administrative penalty in the amount of up to five hundred dollars against a cemetery that fails to file the annual report when due, payable to the state for deposit as provided in section 505.7. However, the commissioner may waive the administrative penalty upon a showing of good cause or financial hardship.

EXPLANATION

34 This bill relates to various matters under the purview of the
35 insurance division of the department of commerce.

1 IOWA GRAIN INDEMNITY BOARD. Code section 203D.4(1) is
2 amended to remove the commissioner of insurance or a designee
3 as a member of the Iowa grain indemnity fund board and add a
4 representative of the banking industry.

5 UNIFORM SECURITIES ACT. Code section 502.305(2) is amended
6 to allow the administrator of the Iowa uniform securities
7 Act to adopt rules that require certain filings to be made
8 electronically either with the administrator or a designee of
9 the administrator and that require filers to submit filings and
10 pay processing fees to such a designee.

11 LIFE INSURANCE COMPANIES AND ASSOCIATIONS. New Code
12 section 508.33A authorizes Iowa life insurance companies to
13 organize wholly owned limited purpose subsidiary life insurance
14 companies to reinsure the risks of the organizing company and
15 its affiliated companies. Before assuming any risks under a
16 reinsurance contract, a new limited purpose subsidiary life
17 insurance company must submit and receive approval of its
18 plan of operation from the commissioner. The commissioner
19 is required to adopt rules to regulate such limited purpose
20 insurers and no limited purpose insurer can be organized prior
21 to the effective date of such rules.

22 Code section 511.8(5) is amended to allow life insurance
23 companies to invest in certain securities that are rated three
24 for legal reserve purposes. New Code section 511.8(8)(d) is
25 a coordinating amendment that provides that such securities
26 are not eligible investments in excess of 2 percent of the
27 legal reserve and not more than one-eighth of 1 percent of the
28 legal reserve can be invested in the securities of any one
29 corporation.

30 Code section 511.8(16) is amended to provide that common
31 stocks or shares issued by any federal home loan bank that
32 are eligible common stocks or shares for inclusion in a
33 life insurance company's legal reserve may be deposited as
34 securities with the commissioner.

35 Code section 511.8(23)(c) and (e) are amended to provide

1 that if a security loan made by a life insurance company to a
2 specified entity is collateralized by cash, the insurer may
3 reinvest the cash in class one money market funds, among other
4 things. If such reinvestments are made in a pooled fund,
5 the average maturity of the securities in the pooled fund
6 must be 180 days or less and the individual maturities of the
7 securities must be 397 days or less. "Maturity" is defined
8 to mean the earlier of the fixed date on which the holder of
9 the security is unconditionally entitled to receive principal
10 and interest in full or the date on which the holder of the
11 security is unconditionally entitled upon demand to receive
12 principal and interest in full. Such securities loaned in
13 this manner cannot be included in the legal reserve of a life
14 insurance company in excess of 10, formerly 20, percent of the
15 legal reserve.

16 New Code section 511.8(23)(f) is added to allow a life
17 insurance company or association to hold securities which are
18 the subject of a reverse repurchase agreement in its legal
19 reserve, subject to the limitation that such securities are
20 treated as securities loaned and cannot be included in legal
21 reserve in excess of 10 percent of the reserve.

22 UTILIZATION AND COST CONTROL. Code section 514F.6 is
23 amended to allow prospective payment of clean claims for
24 covered services provided by an advanced registered nurse
25 practitioner or physician assistant during the credentialing
26 period once that person is credentialed.

27 EXTERNAL REVIEW OF HEALTH CARE COVERAGE DECISIONS. Code
28 section 514J.7(2) is amended to provide that an enrollee or a
29 treating health care provider who seeks external review of a
30 health care coverage decision is entitled to be told the name
31 of the expert person selected to perform the external review.

32 INSURANCE OTHER THAN LIFE. Code section 515.125(1) is
33 amended to except new provisions in the bill pertaining
34 to personal lines insurance policies or contracts from the
35 forfeiture and notice requirements of this section.

1 New Code section 515.129A provides that personal lines
2 policies or contracts of insurance that have been in effect for
3 more than 60 days cannot be canceled without notice and that
4 such notice is not effective unless it is based on one or more
5 of the specified reasons.

6 New Code section 515.129B provides that an insurer
7 cannot refuse to renew a personal lines policy or contract
8 of insurance unless at least 30 days before the end date
9 of the policy or contract the insurer delivers, mails, or
10 electronically transmits written notice to the first named
11 insured at the insured's last known address, of the insurer's
12 intention not to renew accompanied by an explanation of the
13 specific reason for the nonrenewal. The transfer of a policy
14 between affiliates of an insurance company is not considered
15 a nonrenewal.

16 New Code section 515.129C sets forth requirements for the
17 notice to an insured of the renewal or nonrenewal of personal
18 lines policies or contracts. Such notice must be mailed or
19 delivered to the first named insured at least 30 days prior to
20 the end of the policy or contract term and must also be mailed,
21 delivered, or electronically transmitted to the producer of
22 record of the policy or contract. An offer to renew shall
23 state the amount and due date of the premium. If the renewal
24 premium is not received by the due date or the policy or
25 contract expiration date, whichever is later, the policy or
26 contract lapses. If an insurer fails to comply with these
27 notice requirements, the policy or contract is extended on
28 the same terms and conditions for another policy or contract
29 term or until the effective date that similar insurance is
30 procured by the insured, whichever is earlier. Renewal of a
31 policy or contract under this Code section does not constitute
32 an estoppel or waiver with respect to grounds for cancellation
33 that existed prior to the effective date of the renewal.

34 MORTGAGE GUARANTY INSURANCE. Code section 515C.5 is
35 amended to allow the commissioner to suspend the requirements

1 concerning the amount of outstanding liability that a mortgage
2 guaranty insurer may have upon request of the insurer for
3 such time and under such conditions as the commissioner may
4 order. The commissioner may adopt rules as necessary relating
5 to the consideration of such requests for suspension of those
6 requirements.

7 CEMETERY AND FUNERAL MERCHANDISE, AND FUNERAL SERVICES.
8 Code section 523A.204(4) is amended to give the commissioner
9 the discretion to levy an administrative penalty in an amount
10 up to \$500 against a preneed seller who fails to file an annual
11 report when due. A corresponding change to Code section
12 523A.502A allows the commissioner such discretion when levying
13 a penalty against a sales agent who fails to file a report when
14 due.

15 Code section 523A.207 is amended to provide that if a
16 person selling or transferring a purchase agreement fails to
17 comply with the obligation to file an audit report with the
18 commissioner prior to the sale or transfer, that obligation
19 is shared by the person selling or transferring the purchase
20 agreement and the preneed seller that assumes the obligations
21 of the purchase agreement. In addition, both the preneed
22 seller and the seller or transferor of the purchase agreement
23 remain jointly and severally liable to perform the terms of the
24 purchase agreement until the audit report is received by the
25 commissioner.

26 Code section 523A.401(9) is added to allow the commissioner
27 to adopt rules to require written trust agreements and
28 establish conditions for trusts holding insurance policies or
29 maintaining ownership rights under insurance policies that
30 fund purchase agreements. Code section 523A.402(9) is added
31 to allow the adoption of similar rules as to trusts holding
32 annuities or maintaining ownership rights under annuities that
33 fund purchase agreements.

34 Code section 523A.601(1) is amended to correct a telephone
35 number of the insurance division contained in notifications to

1 consumers who purchase cemetery and funeral merchandise, and
2 funeral services pursuant to a preneed purchase agreement.

3 Code section 523A.807(3) relating to penalties for
4 violations of specific sections of Code chapter 523A is amended
5 to apply to violations of Code sections 523A.203 (qualification
6 and investment requirements of financial institution trustees);
7 523A.207 (performance of audits prior to sale of purchase
8 agreements); and 523A.504 (appointment of sales agents and
9 payment of fees). A violation of one of these sections may
10 result in civil penalties and orders prohibiting sales pursuant
11 to Code chapter 523A.

12 CEMETERY REGULATION. Code section 523I.213A(7) is added
13 to provide that notwithstanding Iowa's open records law,
14 the commissioner shall not make information obtained in the
15 course of an examination of a cemetery public except under
16 the specified circumstances. A corresponding change is
17 made by adding Code section 20.7(65), which states that such
18 information is not a public record.

19 Code section 523I.312(2)(n) is amended to correct a
20 telephone number of the insurance division contained in
21 notifications to consumers who enter into internet agreements
22 with nonperpetual care cemeteries.

23 Code section 523I.813(3) is amended to allow the
24 commissioner to exercise discretion in levying administrative
25 penalties up to \$500 for the failure of a perpetual care
26 cemetery to timely file an annual report.